Congress of the United States

Washington, DC 20515

January 11, 2024

Ms. Mary McDuffie
President and CEO
Navy Federal Credit Union
820 Follin Lane
Vienna, VA 22180

Dear Ms. McDuffie:

We are concerned by a recent CNN analysis of Home Mortgage Disclosure Act (HMDA) data which highlights significant racial disparities in mortgage approval rates among applicants at Navy Federal Credit Union (Navy Federal). The analysis found that Black applicants to Navy Federal were more than twice as likely to be denied as White applicants even after accounting for more than a dozen separate variables.[1] We request a meeting with you to discuss how such striking disparities occurred and what immediate actions are being taken to remedy harmful policies, practices, and procedures.

As you know, homeownership is the primary way most Americans build wealth. Historically, Black Americans have both been denied the opportunity to own a home and denied the full benefits of homeownership, such as the ability to purchase a home in their neighborhood of choice, through discriminatory policies. Congress has passed several laws such as the Fair Housing Act, the Equal Credit Opportunity Act, and the Civil Rights Act of 1866 to root out discrimination, intentional or unintentional, and provide fair access to credit to consumers of all backgrounds. While the most explicit forms of race-based housing discrimination have declined, present-day forms of housing discrimination remain persistent and are no less unjust.

We are naturally concerned to learn that Navy Federal, the nation's largest credit union, approved a higher percentage of applications from White borrowers making less than $62,000 a year than it did of Black borrowers making $140,000 or more.[2] It is reported that while more than 75% of White borrowers who applied for a new conventional home purchase mortgage in 2022 were approved, Navy Federal approved less than 50% of applications for the same type of loan from Black borrowers.[3] The gap between Black and White approval rates at Navy Federal was the widest of any of the 50 lenders that originated the most mortgage loans last year and is significantly higher than the second-largest credit union in the country, State Employees' Credit Union.

We understand that your institution believes that because the CNN analysis did not incorporate data not included in public mortgage data, such as credit score, available cash deposits, and

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[1] CNN, The Nation's Largest Credit Union Rejected More Than Half Its Black Conventional Mortgage Applications, (December 14, 2023).

[2] *Id.*

[3] *Id.*

lender relationships that it "does not accurately reflect [Navy Federal] practices." However, referencing factors not included in HMDA disclosed data does not convincingly justify extreme disparities found across the data studied, such as unusual disparities across income and debt-to-income ratio. Data not publicly disclosed under HMDA is also used by any financial institution to approve a mortgage loan and it is unclear how Navy Federal's treatment of other factors, or use of unique factors, has resulted in the widest approval gap between Black and White applicants among the 50 largest mortgage lenders in the United States.

Navy Federal is reported to have approximately 13,000,000 members and more than $165 billion in assets largely serving United States service members and their families. We understand that across the U.S. military, African Americans are overrepresented in proportion to our representation in society and that Navy Federal also originates a larger percent of loans to African American borrowers than most of the other top 50 mortgage lenders.[4] Your institution has affirmed its commitment to Black members in part by noting that Navy Federal is "committed to serving all of our members equally."[5]

Navy Federal should explain its increasingly widening racial lending gap and how more than half of the Black service members, veterans, and their families who applied for a conventional mortgage in 2022 were rejected and denied homeownership and wealth building opportunities. Navy Federal should also disclose whether Black applicants were approved at higher interest rates or subject to less favorable terms compared to similarly situated White applicants. We expect to be provided, at minimum, aggregate data from Navy Federal regarding credit scores or any other non-public variable that Navy Federal has suggested serves as an explanation for Navy Federal's alarming racial approval gap.

We also request additional answers to the following questions:

1. What steps is Navy Federal currently taking to determine the root cause, severity, duration, and pervasiveness of lending discrimination that may have occurred?
2. To what extent are automated underwriting systems influencing approvals, terms, and conditions, and how does Navy Federal ensure that such systems used to assess creditworthiness don't discriminate or produce disparate impacts?
3. Please describe the elements of Navy Federal's compliance management system designed to prevent mortgage underwriting discrimination including board of director and management oversight, the compliance program, and the compliance audit process.
4. To what extent has Navy Federal evaluated alternatives to its current underwriting policies, practices, and procedures that would reduce any racial lending disparities while still achieving legitimate business needs?

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[4] Navy Federal Press Release, Navy Federal Credit Union Responds to Allegations Concerning Its Home Lending Practices, (December 18, 2023).
[5] Id.

5. What does HMDA data, which is comparable and publicly available, say about Navy Federal lending to low- and moderate-income borrowers in relation to the other top 50 mortgage lenders in the United States?
6. What Special Purpose Credit Programs does Navy Federal offer for the benefit of its members or an economically disadvantaged class of borrowers, if any?
7. To what extent does Navy Federal prioritize diversity and inclusion in your institution, including but not limited to your management team and board?

We are long-time champions of credit unions and their mission. The profits made by credit unions are returned to members in the form of reduced fees, higher savings rates, and lower loan rates, and the benefits of credit unions to communities are significant. It is for this reason we request a meeting by January 31, 2024, to better understand how homeownership opportunities and its benefits are enjoyed equitably among members of your institution. We look forward to your response.
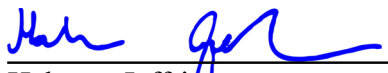
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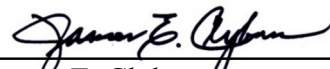
Emanuel Cleaver, II
Member of Congress

Steven Horsford
Member of Congress

Hakeem Jeffries
Member of Congress

James E. Clyburn
Member of Congress

Cory A. Booker
United States Senator

Raphael Warnock
United States Senator

Joyce Beatty
Member of Congress

Al Green
Member of Congress
Scion of the Enslaved
Africans -
Sacrificed to Make America
Great

Gregory W. Meeks
Member of Congress

Ayanna Pressley
Member of Congress

Ritchie Torres
Member of Congress

Nikema Williams
Member of Congress

Alma S. Adams, Ph.D.
Member of Congress

Colin Z. Allred
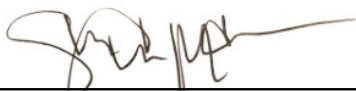Member of Congress

Gabe Amo
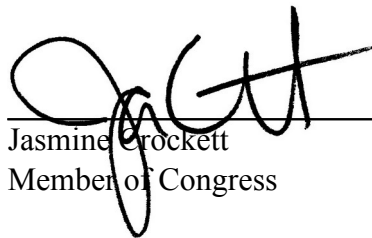Member of Congress

Shontel M. Brown
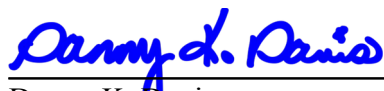Member of Congress

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Cori Bush
Member of Congress

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Troy A. Carter, Sr.
Member of Congress

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Sheila Cherfilus-McCormick
Member of Congress

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Jasmine Crockett
Member of Congress

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Danny K. Davis
Member of Congress

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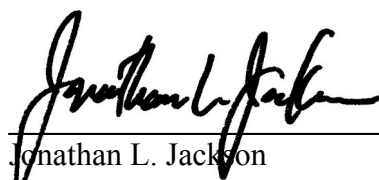
Dwight Evans
Member of Congress

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Valerie P. Foushee
Member of Congress

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Sheila Jackson Lee
Member of Congress

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Jonathan L. Jackson
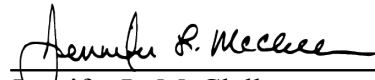Member of Congress

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Henry C. "Hank" Johnson, Jr.
Member of Congress

Sydney Kamlager-Dove
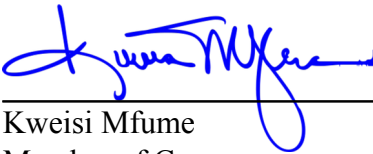Member of Congress

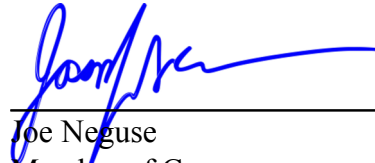Barbara Lee
Member of Congress

Lucy McBath
Member of Congress

Jennifer L. McClellan
Member of Congress

Kweisi Mfume
Member of Congress

Joe Neguse
Member of Congress

Eleanor Holmes Norton
Member of Congress

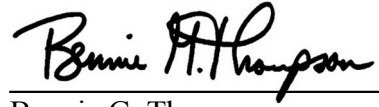Donald M. Payne, Jr.
Member of Congress
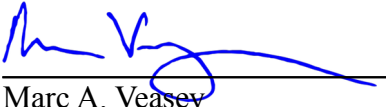
Stacey E. Plaskett
Member of Congress

Terri A. Sewell
Member of Congress

Marilyn Strickland
Member of Congress

Bennie G. Thompson
Member of Congress

Marc A. Veasey
Member of Congress

Bonnie Watson Coleman
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